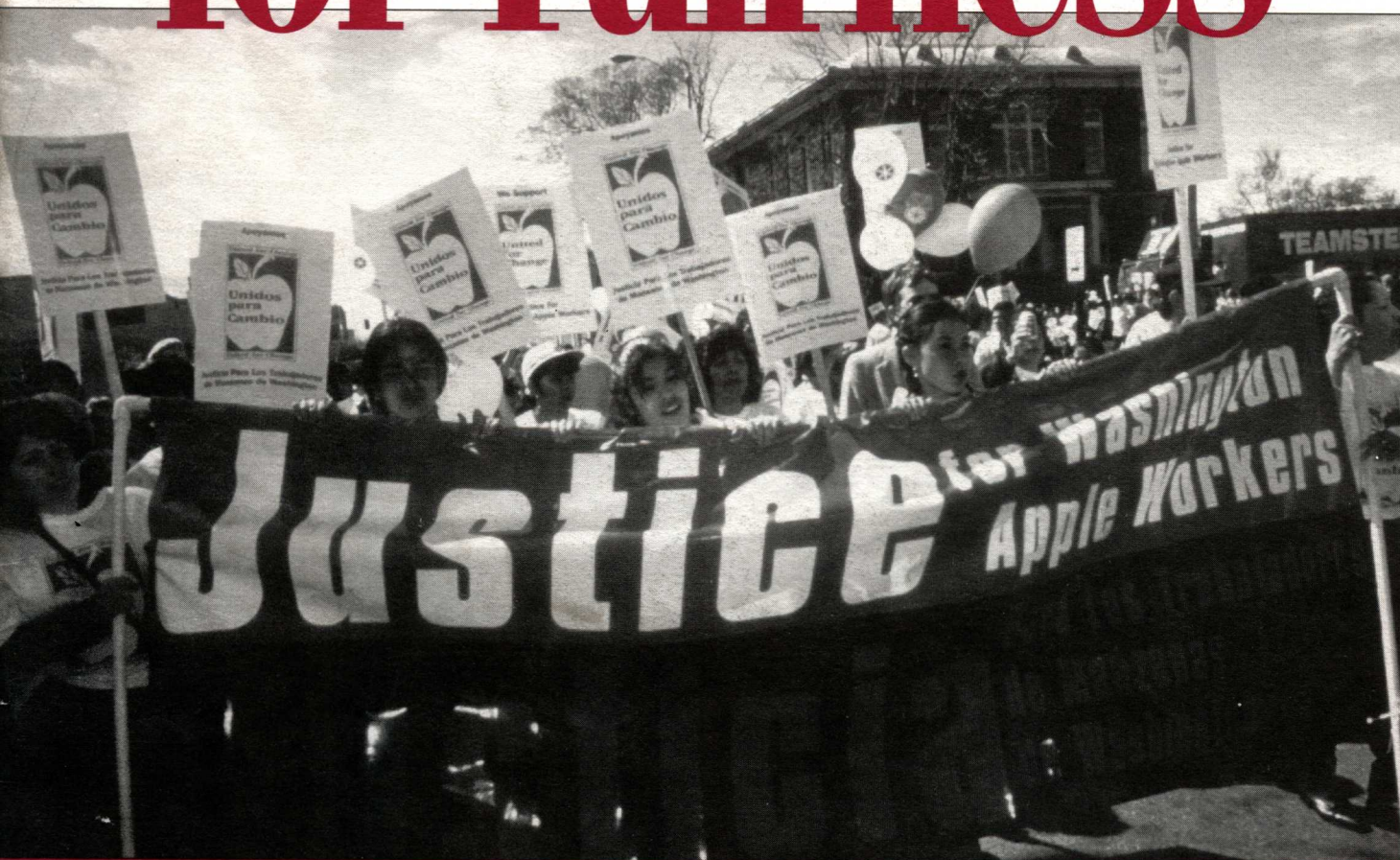


An Industry

Ripe for Fairness



**Washington State Apple Workers
Unite for Dignity and a Living Wage**

Apple Workers
"United for Change"
Campaign

July 1997

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Summary

Washington apples are a multi-billion dollar business dominated by a handful of families who own the largest orchards and packing-shipping operations. The industry receives millions of dollars in government subsidies while apple warehouse and field workers are paid poverty wages. Estimated supermarket sales of fresh Washington apples reached \$3 billion in 1996. And yet, in the major apple-producing valleys of Yakima and Wenatchee, large sectors of the population live near or below the poverty level and apple workers labor under substandard conditions.

This industry runs multi-million dollar campaigns to advertise the Washington apple and portrays an idyllic image that is far removed from the real conditions of those who work and live in the major apple-producing counties of Washington State. More than 15,000 workers work in the apple packing and storage warehouses statewide, and between 35,000 and 45,000 field workers work in the orchards at harvest peak.

Apple warehouse workers are uniting with their brothers and sisters in the warehouses, the fields and the communities at large, in order to change the often shameful reality that is hidden behind the industry's advertising campaigns. The Teamsters Union is assisting the workers in their organizing efforts, and with the valuable collaboration of individuals in universities and research centers, has prepared this report to reveal what the glitzy ads do not show.

Findings include:

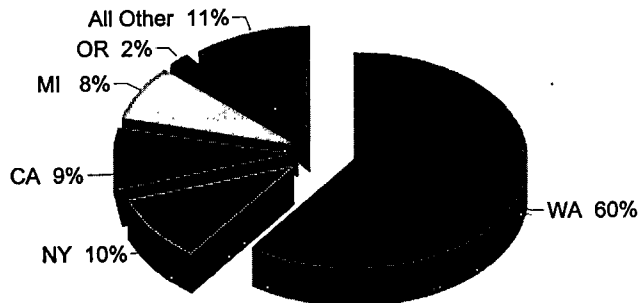
- The success of this industry has relied heavily upon direct and indirect subsidies funded with taxpayer money. Washington apple growers and packers receive estimated federal and state funds totaling more than \$20 million per year.
- Apple warehouse and field workers receive wages near or below the poverty level. Many workers lack health insurance coverage because they cannot afford the insurance plans offered by their employers, or because they are not employed enough hours to meet eligibility requirements even though they work year-round.
- Warehouse workers are exposed to toxic chemicals which cause severe skin and eye irritation and respiratory conditions. Repetitive motion and back injuries are widespread, firings for minor errors are common, and workers are subjected to frequent verbal and physical abuse by supervisors.
- Average wages and per-capita incomes in major apple-producing counties are significantly lower than the statewide averages. These counties also show higher than average unemployment rates and a large percentage of their population relies on public assistance.
- The cost of providing a livable wage and basic benefits is minimal. The cost of a 50 percent increase in the average hourly wage from \$7.50 to \$11.25 would increase labor costs per pound by less than half a nickel (2.4 cents).
- If workers succeed in their organizing efforts, not only their working and living conditions will improve, but the living standards of the Yakima and Wenatchee communities will be raised as well. The local economy will receive a boost from the increased consumption by workers, the tax base of local government will be raised, and considerable public savings could be obtained as the number of persons relying on public assistance is reduced.

A Growing and Profitable Industry

Washington As the Leading Apple State

Apples are Washington's first billion-dollar-a-year crop. They rank first in production value among Washington state's agricultural commodities - ahead of dairy and wheat. **Sales of Washington apples almost tripled from \$349 million in 1985 to \$1.02 billion in 1995.**¹ Washington is the leading apple growing state, producing approximately 60 percent of U.S. fresh apples. Washington's production is about five times the quantity grown in New York, the second largest producer, which supplies 10 percent of US fresh apples. California produces 9 percent, Michigan supplies 8 percent, and Oregon 2 percent.

**Share of US Fresh Apple Production
1995 - 1996**



Source: Washington Apple Commission

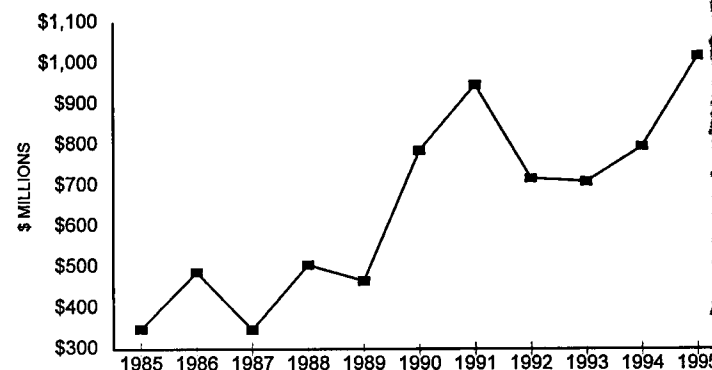
WA apple exports have risen by more than 500 percent since 1986 and have grown into a \$400 million annual business. According to Washington State regional economist Doug Pederson, *the strong growth of the Northwest economy in recent years is due to agriculture-driven regions [outside Puget Sound] such as Yakima.*² Washington's agricultural and food exports which account for one-fourth of all the state's exports, helped compensate for the sluggishness in the aerospace sector last year.

The industry has been heavily investing in new packing facilities and equipment and in new plantings. This increase in investments is one more indicator of the economic health of the industry and its trend toward expansion.

According to the Washington State Apple Commission, new plantings in Washington State

"point at a steady upward trend in production, ample to compensate for the increasing domestic population and steadily climbing export sales." In Washington, the number of acres of apples has increased by 60 percent since 1978, from 115,244 to more than 185,000 in 1996.³ In 1994, warehouse owners proposed or built new structures together worth more than \$7 million. According to industry

Production Value of Washington Apples



Source: Washington State Department of Agriculture

Note: Value is FOB from warehouse.

¹ Warehouse gate values.

² Yakima Herald, 5/8/96.

³ Washington Apple Commission.
September 1996.

representatives, this investment boom in apple warehouses was projected to last at least five years.⁴

The Industry and its Economics

All Washington apples are handpicked, requiring 35,000 to 45,000 pickers at the peak of the harvest. Apples are normally harvested from late August to November and are brought to the warehouses, where some are prepared for shipment while others are stored for months in controlled atmosphere (CA) facilities.

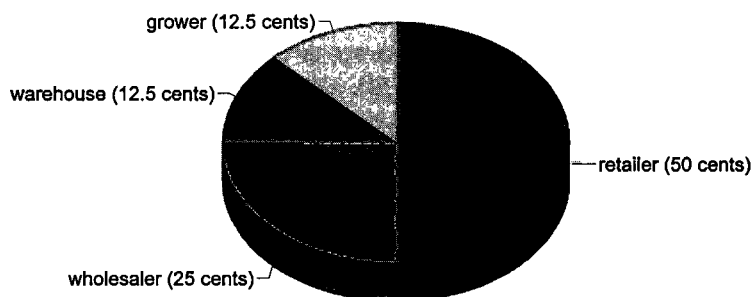
According to the Washington Apple Commission, the industry includes 3,600 growers statewide. Packing, storage, marketing and shipping are concentrated in approximately 125 firms that run the warehousing operations. Many large packer-shippers are vertically integrated firms that grow their own apples as well as buy from smaller producers.

The industry has been consolidating as smaller orchards are acquired by larger producers. In 1982, Yakima County had 1,781 apple farms, of which 1,552 were producing, on 58,841 acres; in 1992, there were 1,454 farms, of which 1,346 were producing, on 61,910 acres. The number of apple-producing farms in Chelan County decreased from 894 in 1982 to 776 in 1992, while the acreage increased from 17,643 to 17,825 during the same period.⁵ As the number of farms declines while total acreage increases, the industry gets concentrated in a smaller number of large growers who are frequently the owners of large packing warehouses.

According to a recent New York Times article, the use of advanced technology and the implementation of economies of scale in apple production "may make the family-run orchard a thing of the past" in Washington State, "as well as in other apple-growing regions in New York and Michigan."⁶ A Seattle Times article mentions that according to industry officials, "[T]wenty year ago, a grower could support himself on a 50-acre orchard. Today, it takes about 100 acres...." Currently, 7 percent of the growers control 53 percent of the orchards.⁷ The owners of giant packing warehouses like Stemilt Growers, Dovex, Zirkle Fruit, Borton and Sons, Washington Fruit and Produce and the Evans Fruit Company, have thousands of newly planted acres.⁸

Industry analysts observe that packing, marketing, and shipping apples is much more profitable than growing apples. While growers' revenues are tied to prices paid for apples, which

Where the Apple Dollar Goes?
(cents per dollar)



Source: Mother Earth News, October 1996

⁴ Yakima Herald, 3/21/94.

⁵ WA Department of Agriculture.

⁶ New York Times, 10/28/96.

⁷ Seattle Times, 11/14/96.

⁸ New York Times, 10/28/96.

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can vary greatly from year to year, packer-shippers charge a fixed packing, storage and marketing fee to the growers - about \$5 for each 42-pound box of apples. These charges are itemized and deducted from the gross revenues of the growers. They are the largest costs that the growers face - greater than their production costs, which are estimated at \$3.50 per box. In fact, studies have found that because packing-shipping costs are higher than production costs, it is the growers' perception that packer-shippers are the businesses that are really making money in apples.⁹

Where apple revenues reach stunning magnitude is at the retail end of the production and distribution chain. Fifty percent of the retail price goes to the grocery store - the other 50 percent is divided into revenues of the wholesaler, who keeps about 25 percent, the warehouse owner who keeps 12.5 percent, and the grower who receives 12.5 percent. The average price paid to growers was 21 cents in 1995; prices ranged from 22 to 28 cents per pound in 1996.¹⁰

Warehouse wages are estimated at approximately 4.8 cents per pound, assuming an average hourly wage of \$7.50. Wages of warehouse workers range from \$4.90 to \$8 per hour. The pay rate for higher-skilled warehouse workers is \$10.50 per hour. According to an industry study, labor costs amount to about 40 to 50 percent of the growers' total production costs. The average wage rate for apple workers' jobs in the orchards was \$5.80 per hour in 1995.¹¹ Transportation costs reach up to eight cents per pound in East Coast cities.

Where Most Washington Apples Come From

In 1995, more than 77 percent of Washington's apple production came from the Yakima and Wenatchee valleys. These two state fruit districts supply approximately 46 percent of U.S. fresh apple production.

The apple industry employs about 20,000 field workers and approximately 6,000 warehouse workers in the Yakima Valley. About 15,000 apple workers work in the orchards and about 4,100 workers are employed by apple warehouses in the Wenatchee Valley (Chelan-Douglas and Okanogan Counties). Another 10,000 apple pickers work in other fruit districts across the state.¹² All told, some 10,000 apple warehouse workers and approximately 35,000 apple field workers are employed in these major apple-producing valleys.

"There isn't an apple-growing region in the world that isn't affected by how things are done here,"... "This is a showplace for a lot of people. They come here to see how it's done."

— Karen Maib
Washington State University Extension Agent
New York Times, October 28, 1996

About 93 percent of all apples grown in the Yakima and Wenatchee valleys are packed and shipped through 33 large warehouses. Of these packing-shipping operations, 21 are located in Yakima County and 12 in the Wenatchee area. According to a study on the Washington apple industry, Yakima Valley packer-shippers are probably some of the most profitable in the nation.¹³

⁹ Kissam, E., Garcia, A., Runsten, D., 1992.

¹⁰ USDA and WSDA.

¹¹ WA ESD, Wage Area Surveys, 1996.

¹² WA ESD.

¹³ Kissam, E., Garcia, A., Runsten, D., 1992.

Selling the Washington Apple

This industry is highly organized in order to promote and defend its interests in a wide range of areas including marketing, research, political affairs, legal and labor issues. Growers and packers are active in over a dozen organizations including the *Yakima Valley Growers-Shippers* and *Wenatchee Valley Traffic Associations* (which deal with tree fruit movement and shipping issues, and represent industry positions before the government), the *Washington Growers League* (which is an aggressive anti-union organization that represents growers statewide on labor issues)¹⁴, and the *Washington Apple Commission* (which advertises and promotes Washington apples).

Advertising of fresh apples is a top priority for the industry as it must market increasingly larger crops. In 1937, the state established the Washington State Apple Commission which defines itself as the "advertising, promotional and publicity arm of the Washington apple industry." This organization is supported by an assessment rate of approximately 25 cents per box, collected from growers. The Commission has increased its advertising and promotion budget by 50 percent since 1991, from \$17 million to about \$26 million in 1996.¹⁵

The Commission's advertising and promotion programs are subsidized by the federal government. The Commission has received more than \$34 million under the USDA Market Access Program (formerly MPP) since 1986. MAP funds are directed to export promotion of agricultural products. In 1996, the Commission received 16 percent of total MAP funds directed to produce marketers, and it was the fourth largest recipient of such USDA funds among produce marketers.¹⁶

Unfortunately for the Washington apple workers and their communities, the Apple Commission has not accomplished all of its goals. In 1961, the Commission adopted as one of its own stated purposes "to alleviate unemployment within the state and increase wages for agricultural labor." It also committed itself "to increase the amount secured by the producer therefor, so that they can pay higher

The Preamble of the Washington Apple Commission

(Adopted 1961)

"Purpose of chapter.

The chapter is passed...

(6) Because the stabilizing of the apple industry, the enlarging of its markets, and the increasing consumption of apples are necessary... to alleviate unemployment within the state and increase wages for agricultural labor.

(7) To disseminate information giving the public full knowledge of the manner of production, the cost and expense thereof... to increase the amount secured by the producer therefor, so that they can pay higher wages..."

¹⁴ The Washington Growers League advises members on what it calls "preventative labor relations" to discourage unionization. In response to apple workers' organizing efforts, the Growers League has now opened its membership to warehouse owners.

¹⁵ The Packer, 6/17/96, and Washington Apple Commission.

¹⁶ The top three recipients of MAP funds directed to produce marketers were the Eastern US Agriculture and Food Export, the Western US Agricultural Trade Association, and the Florida Department of Citrus. The Packer, 5/13/96.

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wages..." This stated mission stands in sharp contrast with the high unemployment rates of the major apple producing counties and the below-poverty level wages of apple workers.

The Apple Commission's advertising campaigns may sometimes conflict with the reality faced by the people who live and work in the counties where apples are grown. A television commercial produced by the Commission included Yakima Valley scenes and focused on the idea that Washington apples are "better than anyone else's" because they come from "a unique growing region that is Washington state." The Commission spent \$250,000 on the commercial which began airing in October 1995 but was never shown in the Yakima area.¹⁷

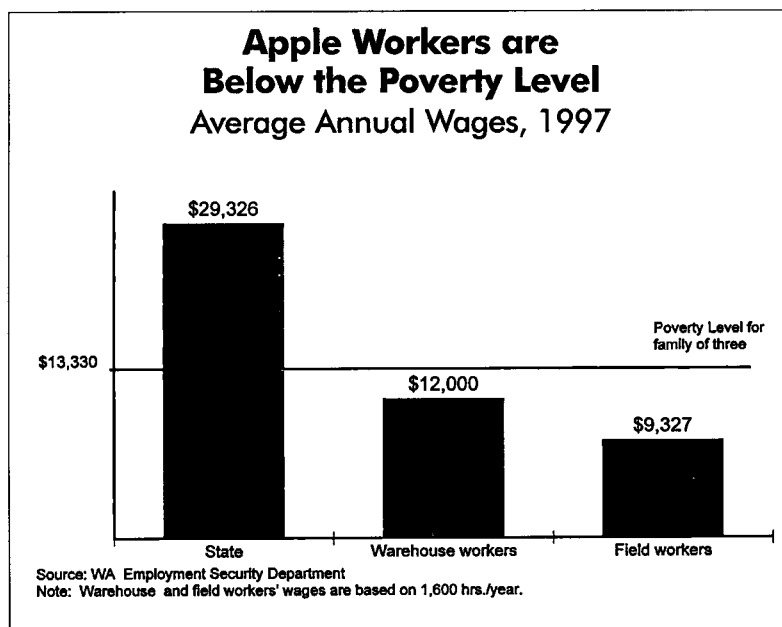
Working, But Poor

While revenues of the apple industry almost tripled since 1985, wages of warehouse and field workers have dipped below poverty levels. Assuming 1,600 hours of work and an average wage rate of \$7.50 per hour, the average wage at the warehouses is \$12,000 per year. Field workers' average wages are estimated at \$9,326 per year, assuming an average hourly wage of \$5.80 and 1,600 hours per year. When considering the effect of inflation on monetary incomes, workers' real wages (buying power) have decreased by more than 10 percent since 1985, while sales per worker almost doubled during the same period. The increase in sales per worker indicates that the companies are obtaining higher revenues (and higher profits) because workers are more productive. Thus, workers are producing more, and profitability of the industry increases while wages remain stagnant and decrease in real terms.

Rates per hour range from \$4.90 to \$8 for the majority of the apple warehouse workers. Higher skilled workers such as mechanics, are paid only \$10.50 per hour. The majority of the workers lack health insurance coverage because they cannot afford the insurance plans offered by their employers. At Stemilt Growers, the largest Wenatchee packer, the health insurance premium for a full-time employee with spouse and child(ren) amounts to about 10 percent of average monthly wages. Employees working less than 1,600 hours per year are not eligible for health benefits even though they work year-round. In a survey of workers at Washington Fruit, one of the largest packers in Yakima, only 2 percent of the respondents were covered by the company health insurance plan.¹⁸

A factor contributing to the lack and/or reduction of benefits, is automation. In many cases, new technologies reduce the number of hours worked by individual employees who, thus, become ineligible for health care benefits.

There is high exposure to hazardous chemicals and many workers face unsanitary conditions because of deteriorated facilities at the warehouses. Processing lines are frequently speeded-up, leading to increased worker injuries and lower quality production. Workers suffer skin and eye irritations caused by chemicals. Repetitive motion and back injuries are widespread. The survey of Yakima warehouse workers revealed that 38 percent of the respondents have been seriously injured at work. Forty four percent of the injuries were due to repetitive motion and 20 percent to exposure to chemicals.



¹⁸ The survey included 98 workers.

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"One of the supervisors, told me 'the \$7.50 an hour we are paying you is a lot for you people that don't know how to speak English and don't even have schooling.' So I said to him, 'Look, we aren't just fighting for better pay, rather, we are fighting for our rights and for respect.'

"I look around at this huge warehouse and all its cold rooms. None of this was here when I started working here eight years ago. The company has grown five-fold or ten-fold. And the owners are getting rich. My starting wage was \$6.60. Now it is \$7.50, less than \$1 raise in eight years. That's not even enough to keep up with the increase in the cost of groceries, gasoline and rent."

— Maria Gonzalez,
Washington Fruit worker

Maria and Marcelino Gonzalez,
with daughters Mariela and Sandra
and grandson Andrew



"We have been made to work in heavy fumes after a cold storage ammonia line break, and through toxic smoke after an industrial air compressor overheated and caught fire. The boss said, 'everybody get back in here and go to work! It's not worse than smoking!'

"...When there is enough water to flush, the toilets are so clogged that they overflow. This water drains through the floor directly onto my workplace below, drenching me and each box of fruit going by on the conveyor line. This continues to happen at least

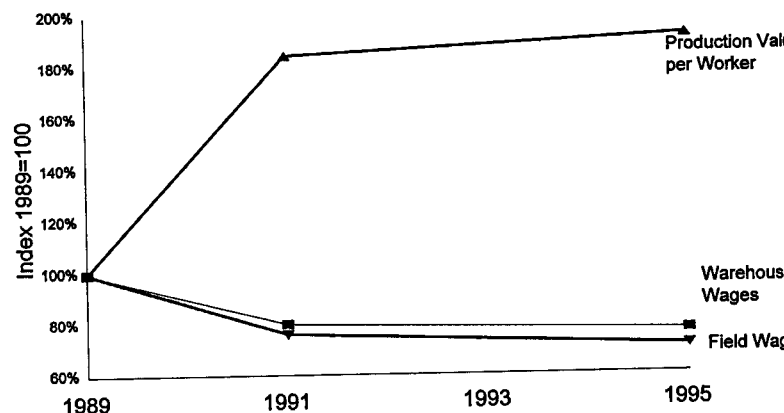
twice each season, and I've been there nine seasons. Each time, the supervisor refuses to stop the line while the problem is being dealt with, and we must keep working."

— Jorja Starr, Stemilt worker

Apple warehouse workers experience unjustified firings and disciplinary action, as well as verbal and physical abuse by supervisors. Workers complain about being frequently "berated in obscene language by supervisors for minor things like taking breaks to go to the bathroom."¹⁹ The unjustified firings and mistreatment create a high level of fear and insecurity among the workers.

Sales per Worker Increased While Buying Power of Wages Decreased

(Growth Measured in Values Adjusted for Inflation)

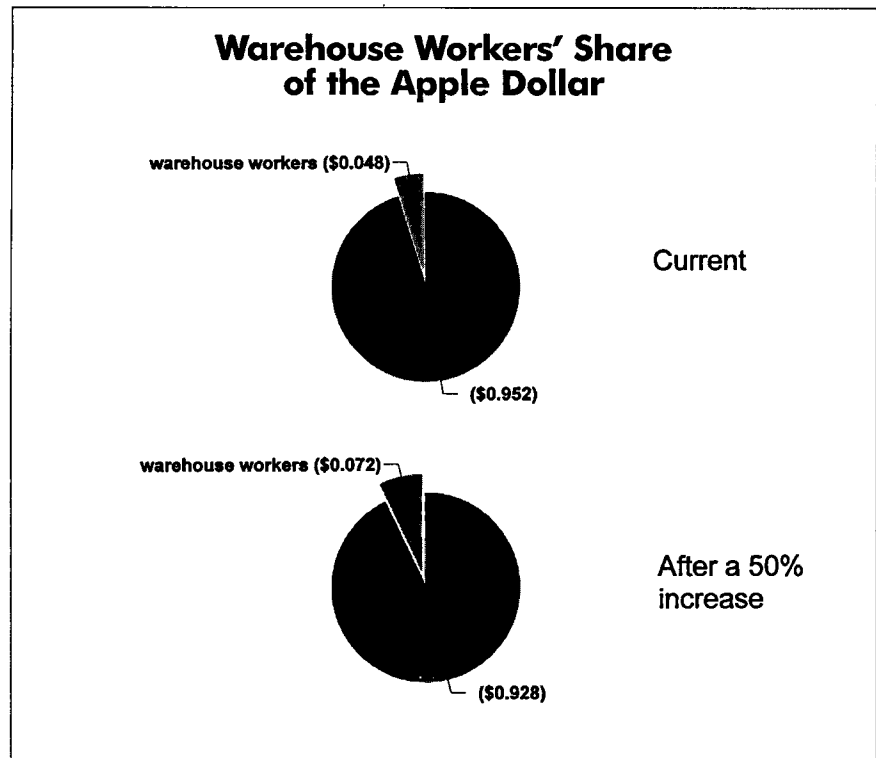


Source: IBT Research calculations based on WSES data and Kissam et al.

The Cost of Justice

The cost of a wage increase is not likely to hurt the economic health of the industry given the small proportion of total costs that labor represents. Wages paid to warehouse workers account for less than five cents of the \$1.00 paid by consumers for a pound of Red Delicious apples.

A 50 percent increase in the average wage from \$7.50 to \$11.25 would increase labor costs per pound by less than half a nickel (2.4 cents), from 4.8 cents per pound to 7.2 cents per pound. This increase can be comfortably absorbed by this profitable industry.



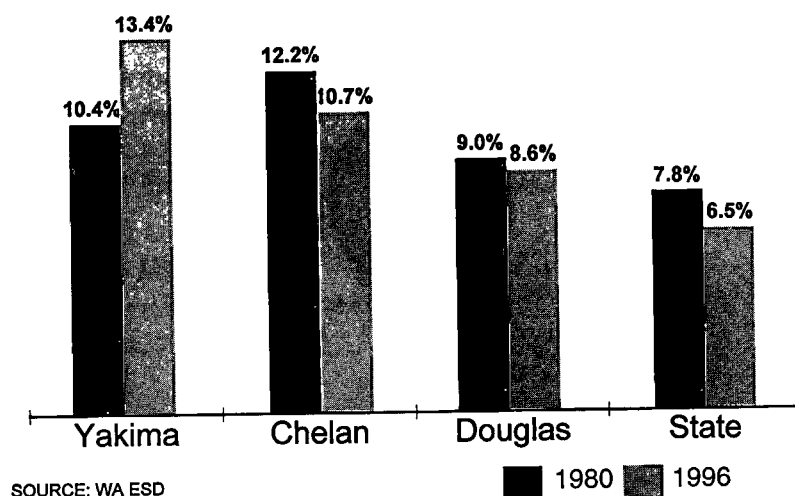
Poor Workers, Poor Communities

Growing revenues and exports in the apple industry have wholly benefitted the owners of the major warehouses and orchards and have not translated into economic development for the apple producing counties. Because of the low wages paid to apple workers, the wealth resulting from growing industry revenues has had almost no impact in the living standards of the Yakima and Wenatchee communities.

Average annual wages in these areas were 30 percent below the state average in 1995.

Yakima County, in particular, ranks at or near the bottom of nearly every category used in evaluating a community's socioeconomic conditions. The 1994 per capita income, the latest year for which statistics are available, is among the lowest statewide, \$17,760. The statewide average was \$22,526.²⁰ The 1996 unemployment rate of 13.4 percent

Unemployment in Major Apple Counties Remains Higher than the Statewide Rate

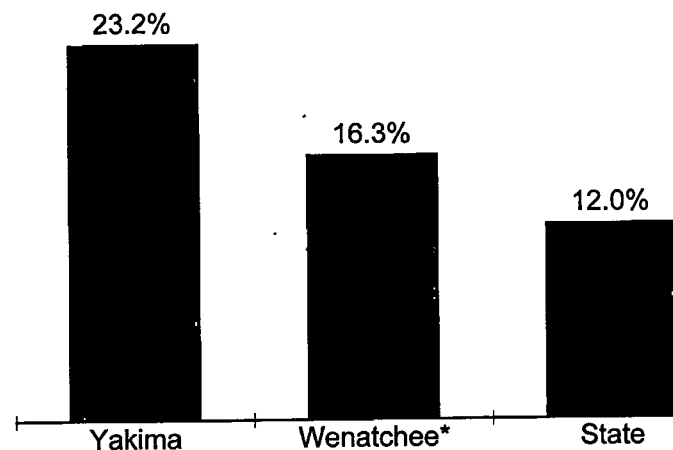


was the fourth worst in the state and it was more than double the statewide rate of 6.5 percent.

Yakima County has a higher percentage of its population living in poverty than any of the other 38 counties in Washington State. The county's poverty rate is 23.2 percent - almost double the statewide rate of 12 percent. Forty-two percent of Yakima County's population relies on public assistance from the Department of Social and Health Services - a higher rate than that of 37 of the 38 other counties.

In Chelan County, where the majority of the apple workers in the Wenatchee area live, conditions are not much better. Chelan ranks 13th, ahead of 26 other counties, in the percentage of its population living in poverty, showing a poverty rate of 16.1 percent. The unemployment rate is 10 percent and the county ranks 11th, ahead of 28 other counties, in the percentage of its population receiving public assistance.

Percent of Population Living in Poverty

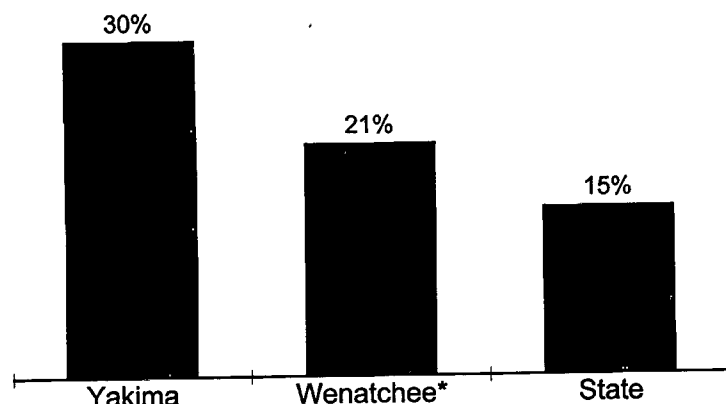


*. Includes Chelan, Douglas and Okanogan Counties
Source: U.S. Census Bureau, 1993

Douglas County, which borders Chelan County and which is also the home of apple workers, had per capita income of \$16,997 in 1994, about 40 percent below the statewide per capita income. This county's average annual wages in 1995 were the lowest in the state at \$16,884.

The economy and income levels of these counties are strongly related to employment in agricultural and agriculture-related industries. About 22 percent of Yakima County employment is agricultural, and about one-fourth of all jobs in the Chelan-Douglas area are on farms. While many agricultural jobs are seasonal, agricultural workers in Yakima County most typically are part of the resident workforce.²¹

Percent of Children Living in Poverty



*. Includes Chelan, Douglas and Okanogan Counties.
Source: U.S. Census Bureau, 1993

Children in Poverty

While the industry makes children a focus of its marketing campaigns, 30 percent of children in Yakima County live in poverty. This rate is double the statewide rate of 15 percent and is the highest in the state. In the Wenatchee Valley, the children's poverty rate is 23 percent in Chelan County, 13.2 percent in Douglas County and 26.2 percent in Okanogan County.

More than 47,000 children in Yakima County receive some form of public assistance. In the less populated counties of the

Wenatchee Valley about 19,000 children receive public assistance - 8,600 children in Chelan, 3,740 children in Douglas, and 6,860 children in Okanogan.

Low Wages Prevent Workers From Obtaining Legal Status for Their Family Members

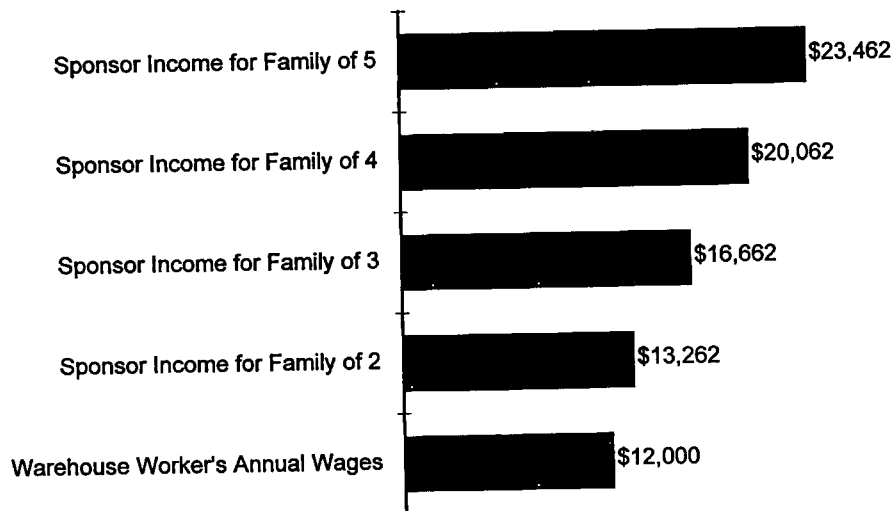
Many apple warehouse workers would like to get legal immigration status for family members, but cannot do so because their wages are not high enough to meet the income requirements set by the U.S. Immigration and Naturalization Service. Under the new immigration law, the person petitioning for legal status for family members will have to earn enough so that the income of the household will be 125 percent of federal poverty guidelines. For a family of three, the petitioner would have to earn \$16,662 per year in order to get a visa for a spouse, parent or child. For a family of four, the petitioner would have to earn \$20,062 per year.

Average wages at the warehouses reach only \$12,000 per year, assuming 1,600 hours of work and a wage rate of \$7.50. These low wages prevent many warehouse workers from being eligible to obtain visas for their family members.

²¹ WA ESD Wage & Salary Survey, 1996.

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Income Requirements to Get Legal Immigration Status for Family Members



Source: U.S. INS and IBT Research

"Makes no difference where we came from, we work for a living and all we have for sale is our labor. I'm not ashamed of that, but sometimes I'm ashamed of how our employers treat us on the job. I know how this game works...from the fruit tree to the warehouse to the boxcar to the boat, the cards are stacked against the worker. 'Work 'til you drop, then get lost! Meantime, shut your mouth and follow orders.'"

"Growers and shippers enjoy great prosperity. Good for them. But those of us who make them richer are not sharing enough in that prosperity. Let's get our voices together. Let's talk to them about that...loud enough so they finally hear us."

— Judy Byrd, Washington Fruit worker



Judy Byrd and husband Steve

Impacts of Pesticide Use

The use of pesticides by the industry has had a negative impact not only on apple workers' health, but on the quality of life of those who live in the major apple producing counties and the neighboring areas.

Pesticide contamination has been found at 176 wells in Washington State, according to a study by the Washington Toxics Coalition and the Washington State University. The highest concentration of contaminated sites occurs in major apple-producing counties and neighboring areas. The pesticides identified include substances now banned such as DDT, 1,2-dichloro-propane, and EDB and others still registered for use such as atrazine, 2,4-D, and DCPA (Dachtal). Public water supplies have not been tested routinely because of limited federal monitoring requirements for public drinking water.²²

According to the Columbia Basin Institute, concentrations of DDT in the Yakima Valley are among the highest in the U.S. generally, and there is an appreciable health risk imposed on the population consuming fish.

The Washington Toxics Coalition also reports that the organophosphates commonly used as insecticides at apple orchards are known neurotoxins. Pesticides have also been linked to birth defects, developmental problems, and the disruption of the body's endocrine system. This could be one reason for the significant gap between the average life expectancy of farm workers (49 years) and that of the rest of the population (72 years).²³

In Yakima County alone, the birth defects rate is seven per 1,000 newborns which is more than twice the statewide average of three per 1,000.

²² Washington Toxics Coalitions and WSU.

²³ Inter Press Service, 3/20/97.

Poverty Carries a High Price Tag

In Yakima County alone, the Department of Social and Health Services spends more than \$200 million per year. If public assistance spending in Chelan, Douglas and Okanogan are added to Yakima's, DSHS expenditures in apple producing counties total over \$300 million per year.

It is expected that social conditions in apple producing counties will worsen as a result of recently implemented restrictions in social spending. Social benefit cuts for legal immigrants are likely to have a disproportionately negative impact on apple workers. The majority of the workers in the apple warehouses and the fields are immigrants from Mexico and a significant number of them are seasonal workers.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 ("Welfare Reform Act") barred most legal immigrants from food stamps and Supplemental

Security Income (SSI). It also made undocumented immigrants, who were already ineligible for most major federal public benefit programs, explicitly ineligible for a broader set of Federal public benefits programs and for State and local public benefit programs.²⁴

Compensating for these restrictions imposes an additional burden on Washington State finances. Under the WorkFirst plan, Washington State government includes funding to

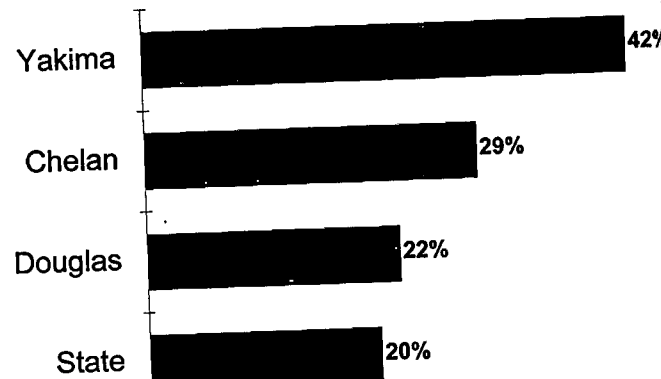
address the needs of legal immigrants - many of them elderly, blind or disabled - who are denied eligibility for federal SSI and food stamps. Food stamps will be available to legal immigrants who meet the same criteria as other residents of the state.²⁵ WorkFirst also funds a state-only program for newly arriving legal immigrants who are no longer eligible for Temporary Assistance for Needy Families (formerly AFDC) or Title XIX medical assistance.



"Where I work there is a lot of discrimination against Mexican workers. I'm Anglo, so the company is less demanding, more lenient [with me]. I benefit from that discrimination, but I don't like it. The company ignores unsafe working conditions like using propane forklifts indoors. I've seen people overcome by carbon monoxide poisoning several times. But the company's answer is just put in another exhaust fan and tune up the forklift engines. Their main concern is keeping production up. They don't care about the workers."

— Frank Detoma
forklift operator at Dovex, Wenatchee

Percent of Population Receiving Public Assistance



SOURCE: DSHS County Report, 1994

²⁴ U.S. Immigration and Naturalization Service.

²⁵ Governor's Press Release, 2/25/97.

A Subsidized Industry

While social benefits are being cut for the working poor and the unemployed in apple producing counties, federal and state government funds continue to be channeled to the industry. The success of the industry has been significantly helped by state and federal funding. Washington growers and packers reap the benefits of an estimated \$22 million per year of government funding in the areas of marketing, research and irrigation subsidies.²⁶ Sixty-eight percent of this amount is directed to research and development, higher productivity planting techniques, and pesticides. The funds are channeled through the Washington State University research and extension centers and through the USDA agricultural research laboratories.

The identified government funding directed to marketing comes from the USDA Market Access Program (MAP) and the Washington State Department of Agriculture Market Development program. Irrigation subsidies are estimated at about \$3 million per year, which are channeled through the Bureau of Reclamation.

The above estimate of \$22 million of annual government funding excludes natural resource conservation subsidies as well as other state funds in the area of marketing. The actual amount of government subsidies for this industry (and the consequent burden on taxpayers) can be assumed, therefore, to be considerably higher.

The impact that the US Department of Agriculture Market Access Program has had on the industry's exports is just one example of how the large orchardists and packer-shippers have benefitted from government support. When the program began in 1986, Washington State exported a total of just slightly more than five million boxes of apples. Washington exported more than 30 million boxes in 1995, and more than 23 million in 1996.²⁷

These export promotion subsidies are also an indirect form of price subsidy as increased exports reduce domestic supply of fresh apples and thus put an upward pressure on domestic market prices. Industry studies indicate that decreasing domestic supply of fresh apples by 10 percent can increase prices received by producers by 15 percent.²⁸

Cash programs and medical assistance for the working poor are also an indirect form of subsidy for the industry. By paying poverty wages, packers and growers are forcing their workers to rely on government help. Therefore, taxpayers not only subsidize large growers and packers' marketing efforts, research and irrigation but also provide the funding that allows them [the growers and packers] not to pay their workers a living wage.

²⁶ See Appendix.

²⁷ Washington Apple Commission.

²⁸ Kissam, E., Garcia, A., Runsten, D., 1992.

If Apple Workers Win, Yakima and Wenatchee Win

An increase in the wages of apple warehouse workers will increase consumption spending and the tax base, resulting in a much needed boost to small businesses and the community. Statistical evidence indicates that low income persons tend to spend a much larger proportion of an increase in their income than high income persons.

Higher wages for warehouse workers will also result in significant public savings. Taxpayers are currently subsidizing warehouses that fail to pay their workers a living wage and health benefits.

The benefits of most low-income assistance programs decline with rising income and are eliminated entirely above some income eligibility thresholds. Eligibility for Medical Assistance programs works this way as well. Currently, the majority of workers in the Yakima and Wenatchee apple warehouses who earn \$12,000 (for 1,600 hours of work per year) are eligible for public assistance available to citizens or for certain forms of assistance available to legal immigrants. A 50 percent increase in hourly wages, which means 2.4 cents of labor costs per pound of apples, will bring improvements to the workers and the following gains to the community and the state:

- Increased spending power of workers which leads to higher total income of the communities living in apple producing counties.
- Increased tax base for local governments.
- Savings in Food Assistance Program expenditures: With a 50 percent raise in the hourly wage, annual wages of warehouse workers increase to \$18,000 which is above the eligibility threshold of \$17,523 for this program. The reduction in the number of eligible persons could bring savings, in Food Assistance costs, of \$2 to \$6 million per year in Yakima County. In Chelan, savings could reach \$1 to \$3 million per year; and in Douglas, between \$200,000 and \$600,000 per year.²⁹
- Savings in Medical Assistance Program expenditures: An annual income of \$18,000 is also above the eligibility threshold for a range of medical assistance programs.
- An affordable health insurance plan for warehouse workers will reduce medical assistance expenditures even more. A large number of uninsured warehouse workers resort to public hospital facilities (emergency rooms) for their primary care, and many have public (state) insurance.³⁰

Apple warehouse workers are deciding that the way to obtain better wages and working conditions - and to improve living standards of their families and communities - is by organizing their own union. For them, a union contract means not only higher wages and improved working conditions, but also a protection against unjust treatment. A union grievance procedure will guarantee workers their right to argue their case if they think they are being disciplined unfairly.

²⁹ These estimates were obtained by multiplying the average cost of benefits paid out under this program by an estimated number of eligible workers. The same calculation was done, assuming a family size of three, to obtain the estimated savings of \$6 million in Yakima, \$3 million in Chelan, and \$600,000 in Douglas.

³⁰ Twenty percent of the Yakima survey respondents were covered by the state administered Basic Health Plan.

Through Teamsters/United For Change, apple warehouse workers strive for the following goals:

- Fair Wages and Benefits
- Health and Safety
- Dignity and Respect
- Job Security

Several workers in Yakima and Wenatchee have been fired or suspended last year for their union activity. The Teamsters Union has filed unfair labor charges with the National Labor Relations Board which resulted in complaints issued against one Wenatchee warehouse, Stemilt Growers, and two warehouses in Yakima, Washington Fruit & Produce, and George Joseph. Stemilt has settled charges and agreed to rehire or give full back wages and benefits to the fourteen employees fired, suspended or disciplined for their openly pro-union support.

Washington Fruit has settled charges agreeing not to retaliate against pro-union workers and not to threaten with INS intervention. Charges continue to be filed as companies persist in their violation of their workers' rights to join a union.



Genaro and Antonia Morales,
with baby Nayella

"They fired me because I was organizing for the union. The union made them take me back. I continued organizing for the union, so they fired me again. The union and the NLRB made them take me back. If they fire me again, I'm going to keep coming back, and keep on organizing until we win our union at Stemilt."

— Genaro Morales, Stemilt worker.

APPENDIX

Identified State
and Federal
Subsidies to the
Washington
Apple Industry
(In \$ Thousands)

Note: The estimates were obtained following the methodology used by the OECD to calculate producer subsidy equivalents for the US apple industry. See "The Apple Market in OECD Countries," OECD, 1991.

ITEMS	1995	1996	1997	DESCRIPTION	SOURCE	NOTES
RESEARCH and Extension Centers						
WSU College of Agriculture and Home Economics	\$4,825	\$5,000	\$5,175	State funding of research and extension allocated by the share of apple production in the value of total WA state agricultural production.	Good Fruit Grower, 1/1/97	1995 and 1997 are estimates based on an average growth rate of 3.5% for research and extension funding by the State.
WSU Agricultural Research Center, Pullman	\$4,924	\$5,103	\$5,282	Federal and state funding allocated by the share of apple production in the value of total WA state agricultural production.	Good Fruit Grower, 1/1/97	1995 and 1997 are estimates based on an average growth rate of 3.5% for research and extension funding by the State.
WSU Tree Fruit & Extension Center, Wenatchee	\$2,500	\$2,500	\$2,500	Annual budget.	Good Fruit Grower, 1/1/97	
USDA Agricultural Research Service	\$3,000	\$2,300	\$3,000	1996 includes actual funding by USDA of apple research projects at Yakima and Wenatchee laboratories. 1995 and 1997 are estimates based on USDA annual funding of ARS allocated by share of WA apple production in the value of total US apple production.		
Subtotal	\$15,249	\$14,903	\$15,957			
MARKETING						
USDA Market Access Program	\$3,900	\$3,500	\$2,500	Grants to Washington Apple Commission.	WA State Budget	1996 and 1997 are estimates. This program assists in identifying and expanding markets for agricultural products; funds ag. fairs and youth shows; provides administrative support to state's 24 commodity commissions.
WA Dept. of Agriculture Market Development	\$473	\$523	\$613	Budgetary outlays by WA Ag. Dep. allocated by share of apple production in the value of total WA state agricultural production.		
Subtotal	\$4,373	\$4,023	\$3,113			
IRRIGATION SUBSIDIES						
Bureau of Reclamation Yakima Valley	\$1,794	\$1,794	\$1,794	Annual subsidy of approximately \$23.00 per acre multiplied by acreage allocated to apples.	Columbia Basin Institute, Portland, OR	
Wenatchee Valley	\$1,300	\$1,300	\$1,300	Estimate based on \$23.00 per acre subsidy.		
Subtotal	\$3,094	\$3,094	\$3,094			
TOTAL	\$22,716	\$22,020	\$22,164			

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